

Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 EUR-25 SPC-03 AID-20 EB-11 NSC-10

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CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

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FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 8734

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

AMEMBASSY ROME

UNCLAS PRETORIA 3654

E.O. 11652: N/A

TAGS: EFIN, SF

SUBJECT: JOHANNESBURG MONETARY SYSTEM SYMPOSIUM

REFERENCE: PRETORIA 3639

SUMMARY.

JOHANNESBURG MONETARY SYMPOSIUM WHICH INCLUDED MANY PARTICIPANTS FROM RECENT NAIROBI IMF/IBRD MEETINGS COVERED USUAL GROUND AND REACHED NO (RPT NO) CONSENSUS. END SUMMARY

1. AS REPORTED REFTTEL, MANY PARTICIPANTS AT NAIROBI IMF/IBRD MEETINGS CURRENTLY ATTENDING JOHANNESBURG MONETARY SYMPOSIUM. THEY JOINED BY LEADING FIGURES OF SA BUSINESS AND FINANCIAL COMMUNITY. FOLLOWING SUMMARY OF MAJOR SPEECHES BASED ON PRESS REPORTS.

2. RINALDO OSSOLA (BANK OF ITAL): SDR SHOULD BE CENTER OF NEW SYSTEM WITH VALUE SET IN TERMS OF MIXED BUNDLE OF CURRENCIES.

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TO RECONCILE ANTI- AND PRO-GOLD LOBBIES, OFFICIAL GOLD PRICE

SHOULD BE INCREASED WITH COUNTRIES FREE TO SELL STOCKS TO IMF (FOR SDR'S) OR DIRECTLY ON PRIVATE MARKET. EXPANDED IMF ROLE TO INCLUDE INTERVENTION IN BULLION MARKET TO KEEP PRICE OF GOLD "WITHIN REASONABLE LIMITS" AND ESTABLISHING INTERVENTION RULES FOR CENTRAL BANKS. MODERATE SDR ALLOCATIONS ACCRUING ONLY TO LDC'S. REGIONAL MONETARY BLOCKS THE TREND OF THE FUTURE AND NEW SYSTEM MUST SET RULES FOR INTER-REGIONAL CURRENCY OPERATIONS.

3. NICO DIEDERICH (SAG MINISTER OF FINANCE): WHILE MONETARY REFORM URGENT, HE NOT (RPT NOT) HAPPY ABOUT DIRECTION IT SEEMS TO BE TAKING. NAIROBI "OUTLINE OF REFORM" BOTH (A) TOO PERMISSIVE (B/P CONSTRAINT ON INFLATION WATERED DOWN AND UNDEFINED; POSSIBLE EXCESS CREATION OF SDR'S) AND (B) TOO COERCIVE (CONSULTATION AND PERSUASION MORE PRODUCTIVE THAN PRESUMPTIVE COERCION.) GOLD PLAYS INVALUABLE ROLE IN MONETARY SYSTEM AND ABSOLUTELY INDISPENSABLE UNTIL CONFIDENCE IN SDR SYSTEM ESTABLISHED. SOME FORM OF CONVERTIBILITY/ASSET SETTLEMENT ESSENTIAL: "WORLD CAN NO LONGER ACCEPT DOLLAR STANDARD WITH 'BENIGN NEGLECT' OF AMERICAN BALANCE OF PAYMENT".

4. GERALD BROWN (SA SECRETARY FOR FINANCE): "CONFIDENCE IS MOST VITAL ELEMENT IN ANY MONETARY SYSTEM. GOLD DOES STILL COMMAND SUCH CONFIDENCE."

5. SIR HARRY OPPENHEIMER (ANGLO- AMERICAN): INABILITY OF GOVERNMENT EXPERTS TO FIND SOLUTION TO WORLD'S MONETARY PROBLEMS CAUSING SERIOUS UNCERTAINTY IN BUSINESS COMMUNITY.

6. ROBERT TRIFFEN (YALE UNIVERSITY): NEITHER SA'S NOR WORLD'S INTEREST LIES IN REMONETIZATION OF GOLD (INCREASE IN OFFICIAL PRICE WOULD BE INFLATIONARY; PRICE WOULD HAVE TO BE CONTINUALLY ADJUSTED TO MEET RESERVE NEEDS AND THIS, COUPLED WITH PRIVATE DEMAND, WOULD PROMOTE INSTABILITY AND SPECULATION). OVERWHELMING CONSENSUS ON NEED TO ANCHOR MONETARY SYSTEM ON "INTERNATIONAL RESERVE ASSET" SIMILAR TO SDR.

7. GERHARD DE KOCK (DEPUTY GOVERNOR, SA RESERVE BANK): C-20 WILL NOT (RPT NOT) BE ABLE TO MEET 1974 DEADLINE; HOWEVER, MONETARY SYSTEM WILL CONTINUE TO EVOLVE IN RESPONSE TO MARKET FORCES. WHILE FAVORING REFORM OF DOLLAR STANDARD, CONCERNED ABOUT INFLATIONARY UNCLASSIFIED

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ASPECTS OF SDR SYSTEM. FEARED THAT NEW SYSTEM WOULD PENALIZE SURPLUS COUNTRIES WHILE DEFICIT COUNTRIES WOULD BE LET OFF THE HOOK. EXPERIENCE HAS SIGNIFICANTLY LESSENED SUPPORT FOR FLOATING OTHER THAN IN SPECIAL AND WELL-DEFINED CIRCUMSTANCES. RE GENERAL SITUATION, IF U.S. B/P IMPROVES AS IS EXPECTED, PRESENT "MESSY FLOATING SYSTEM" WOULD COME UNDER SERIOUS STRAIN.

8. COMMENT.

AS IN NAIROBI. NO (RPT NO) CONSENSUS EMERGED DURING
SYMPOSIUM. SOME OF SPEAKERS, OF COURSE, WERE EITHER NOT AT NAIROBI
OR WERE ESSENTIALLY OBSERVERS THERE. GIVEN LOCALE, IT NATURAL
THAT DISCUSSIONS OF FUTURE ROLE OF GOLD RECEIVED GREATER EMPHASIS.
IN THIS CONNECTION, WE HAVE IMPRESSION THAT SAG PARTICIPANTS
(SPEAKING BEFORE HOME CONSTITUENCY) TOOK HARDER POSITION THAN AT
NAIROBI. IN PRESS COMMENTARY, THERE SEVERAL REFERENCES TO U.S.
INTRANSIGENCE ON PRESEMPITIVE ADJUSTMENT MECHANISM THOUGH IT NOT
(RPT NOT) CLEAR THAT THIS WAS ISSUE AT SYMPOSIUM ITSELF.
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